

Closing The Child Support Loophole

The *Deficit Reduction Act of 2005* (DRA) eliminated federal matching of state expenditure of federal child support incentive payments. This ended state “double dipping” into federal coffers and will be effective in FY 2008, saving \$1.6 billion over fiscal years 2006-2010.

- Under the DRA, child support incentive payments will continue to be paid to states based on performance in operating an effective child support program.
 - \$448 million will be available for FY 2006 incentive payments. By fiscal year 2010 the amount of incentive funding available is expected to reach \$505 million, for a total of \$2.4 billion paid to states over 5 years.
- However, the DRA ends the current policy of providing states federal matching funds for spending federal incentive funds on child support program purposes.
 - This “double dipping” was never intended, and should end.
- Despite this change, child support collections are expected to continue rising, from \$23.8 billion in fiscal year 2006 to \$27.8 billion in fiscal year 2010.
- Federal spending on state child support programs is expected to total \$18.5 billion over the next five years.
 - This reflects the continued availability of open-ended federal matching funds for administrative costs, at the high 66 percent federal matching rate.
 - This means for every \$1 states choose to spend, federal taxpayers pay states 66 cents, meaning state taxpayers only have to contribute 34 cents.
- A June 2005 study by the U.S. Government Accountability Office indicated that the share of federal funding (88 percent of total program costs) in the child support enforcement program is among the most generous of major entitlement programs, far exceeding federal shares under the foster care and adoption and Medicaid programs. (See <http://www.gao.gov/new.items/d05839r.pdf>) Closing the Child Support loophole will bring this federal share more in line with other programs.